Calendar No. 587

97TH CONGRESS
2d Session

SENATE

REPORT
No. 97-412

DEFENSE PRODUCTION ACT EXTENSION OF 1982

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 2375

MAY 21 (legislative day, MAY 11), 1982.—Ordered to be printed

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MAY 21 (legislative day, MAY 11), 1982.—Ordered to be printed

Mr. GARN, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany S. 2375]

The Committee on Banking, Housing, and Urban Affairs, to which was referred S. 2375, a bill to extend the Defense Production Act of 1950, as amended, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and an amendment to the title and recommends that the bill as amended do pass.

HISTORY OF THE LEGISLATION

On April 15, 1982, Senator Schmitt introduced S. 2375, which was referred to the Committee on Banking, Housing, and Urban Affairs.

On April 20, 1982, the Committee held a hearing on S. 2375 at which witnesses testfying on behalf of the Administration expressed support for a five year extension of the Act. The Committee determined that the extension of the Defense Production Act of 1950 is necessary for ongoing defense contracting and preparedness programs and the bill was therefore reported with an amendment.

The Committee agreed that in order to guarantee the opportunity to conduct careful oversight and to consider amendments to DPA programs in the coming year, an extension of the Act for one year would be preferable to one of five years duration. Title I of the bill therefore provides for a one year extension of the Defense Production Act.

Title II of S. 2375 transfers the authorities of the now defunct Cost Accounting Standards Board to the Director of the Office of Management and Budget.

The Cost Accounting Standards Board was established in early 1970 through an amendment to the Defense Production Act. The mission of the Board was to promulgate uniform cost accounting standards for

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government defense contractors and subcontractors, and to promulgate rules and regulations for the implementation of such standards. The Board also required defense contractors and subcontractors to disclose their cost accounting practices as a condition to contracting. Although the Board no longer exists, the standards, rules, and regulations it promulgated still have the full force and effect of law and must be observed in both existing and future negotiated national defense contracts.

After the promulgation of 19 standards, a detailed disclosure statement, and consequent rules and regulations for implementing those standards, the work of the Board was complete and its Congressional appropriations reduced in 1980, and then terminated in 1981. The Committee report accompanying the Legislative Branch Appropriations bill for 1980 stated:

> The authorizing committees are urged to review the activities of the Board with the objective of placing continuing activity with an appropriate agency involving much less cost to the federal government.[1]

Similarly, the Legislative Branch Appropriations bill for 1981 recommended termination of the Cost Accounting Standards Board and transfer of its activities to the executive branch. That Committee report stated:

> There is no need for its continued existence. Compliance monitoring and regulatory clarification is a legitimate and traditional function of the executive branch, and various officials have indicated that the executive branch can absorb that function.[2]

On November 2, 1979, the Senate Banking, Housing, and Urban Affairs Committee held hearings to consider the future of the Cost Accounting Standards Board. Testimony was received from Representative Adam Benjamin of Indiana, Admiral Hyman G. Rickover, Naval Sea Systems Command, five members of the former Cost Accounting Standards Board, Dale Church, Under Secretary of Defense/Acquisitions Policy, Department of Defense, Richard G. Mulligan, Vice President and Director of Business and Finance, TRW, and John Cibinic, Jr., Professor of Law, George Washington University. A further hearing was held on September 23, 1980 to receive testimony from Elmer Staats, Chairman, Cost Accounting Standards Board, and Comptroller General, Karen Williams, Administrator, Office of Federal Procurement Policy, Richard G. Mulligan, Vice President and Director of Business, TRW, and Roger N. Boyd, Esq., Attorney at Law in Washington, D.C. During those hearings, various recommendations were made for placement of Cost Accounting Standard related activities, including the retention of the Board, the place-

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[1] U.S. Congress. House. Committee on Appropriations. Legislative branch appropriations bill, 1980 : report to accompany H.R. 4390. H. Rept. 96–245, 96th Cong., 1st sess. Washington : U.S. Government Printing Office, 1979. p. 41.

[2] U.S. Congress. House. Committee on Appropriations. Legislative Branch Appropriations Bill, 1981: Report to Accompany H.R. 7593. House Report No. 96–1098, 96th Cong., 2nd Sess. Washington : U.S. Govt. Print. Off., 1980. The House approved the bill, as reported regarding CASB, on July 21, 1980. See Legislative Branch Appropriations, 1 Year 1981. Debate and vote in House. Congressional Record Daily Edition, V. 126, July 21, 1980. p. H6223–H6228.

ment of the Board's executives in the General Accounting Office, and the placement of the Board's administrative activities in the Executive branch. By the end of the 96th Congress the Banking Committee began formulating legislation which would have transferred the authorities of the Cost Accounting Standards Board to the Director of the Office of Management and Budget.

In the 97th Congress, efforts to fashion legislation transferring Cost Accounting Standards Board activities to the appropriate agency within the Executive branch continued. On May 7, 1982, the Administration signaled its support for such legislation, and Title II was added to S. 2375. On May 12, 1982, the Committee met in open mark-up session and unanimously agreed to favorably report S. 2375.

PURPOSE OF THE LEGISLATION

Title I of S. 2375, the Defense Production Act Extension of 1982, extends the expiring titles of the Defense Production Act of 1950 for a period of 1 year from the present termination date of September 30, 1982 until September 30, 1983. These titles maintain the national defense industrial production base in peacetime, prepare mobilization programs and provide a pool of trained manpower for war production management.

Titles I, III and the non-permanent sections of Titles VII of the Defense Production Act (DPA) have regularly been renewed by the Congress. Title I provides authorizations for the Defense Priorities System, an energy priorities system and for the management of these systems. Title III authorizes the President to guarantee loans and to take other financial measures necessary to expand productive capacity and supply in the interest of national defense. Title VII prohibits discrimination against small business firms in achieving the objectives of the DPA, provides for the National Defense Executive Reserve, establishes other authorities regarding personnel carrying out programs under the Act and provides for oversight of the programs under the Act. The permanent provisions of Title VII authorize the promulgation of cost accounting standards to cover government contractors and permit the President to grant antitrust immunity to indusrial defense purposes at the request of the President.

The remaining provisions of the Act, contained in Titles II, IV, V and VI, have not been renewed since the period following the end of the Korean War and are not affected by this extension of the Act. These standby provisions provide wartime authority for condemnation, price and wage stabilization, the settlement of labor disputes and control of consumer and real estate credit.

Title II of S. 2375 transfers several of the functions of the now defunct Cost Accounting Standards Board to the Director of the Office of Management and Budget. The legislation provides that all standards, rules, regulations, waivers, exemptions, and other actions of the Board shall remain in effect at the time of the transfer. The Director is responsible for ensuring that cost accounting standards, rules and regulations are consistent with sound accounting principles, provide for accurate, fair and equitable cost determinations, and conform to procurement policies promulgated by the Office of Federal

Procurement Policy Act and other government procurement authorities. The Director must provide publication in the Federal Register, with the elements of such publication prescribed in Title II, before the amendment or rescission of any standard. This Title shall terminate by September 30, 1984, by which time it is intended that the cost accounting standards, rules and regulations shall become incorporated into a single, government-wide procurement regulation so that cost accounting standards are integrated fully into the existing system for promulgation, amendment, and rescission of procurement regulations. It is not the intent of this legislation to require the elimination of cost accounting standards at some future period.

Need for the Explanation of the Legislation

Title I: Extension of the Defense Production Act Authorities

The Defense Production Act is the sole statutory vehicle for insuring that the Nation's industrial base is kept in a state of readiness in peacetime so that new programs may be initiated and standby programs may be expanded in the event of mobilization. The preparedness functions served by the DPA are evident in the many programs authorized by the Act.

As discussed above, the Defense Production Act provides authority for the Defense Priorities System, the Defense Materials System and the energy equipment production priorities system. Through these systems the President is empowered to require expedited performance on qualifying national defense or domestic energy contracts and to allocate scarce and critical materials to insure a high state or preparedness and an orderly mobilization of industrial and material resources in the event of national defense emergencies.

The Defense Production Act also provides authority to guarantee and make loans, or to make purchase commitments, and under certain circumstances to develop productive capacity in special industries where it may be required for national defense purposes. This authority has not been utilized for non-fuel purposes since 1967, when in the Vietnam War period an $83 million dollar loan was approved to facilitate and development of the Duval Sierrita copper mine.

Title II: Transfer of Cost Accounting Standards Board

Although the Cost Accounting Standards Board no longer exists, the standards, rules, regulations, and interpretations promulgated by the Board continue to have the force and effect of law and must be used by defense contractors and subcontractors. Since the demise of the Board, there has been no available means, other than Congressional action, to make desirable modifications and simplifications of the standards, rules and regulations, or to grant waivers and exemptions from application of the standards. This situation has created obvious difficulties for those companies required to comply with the standards, and it is logical, as well as increasingly necessary, to place the administrative and ministerial functions of the Cost Accounting Standards Board with an appropriate executive agency.

Modifications to the bill

As reported title I of S. 2375 provides for a one year extension of the Defense Production Act rather than the five year extension contained in the bill as introduced.

S. 2375 contains provisions which were incorporated to accommodate recommendations and concerns expressed by the Administration, and committee members. These provisions change the executive agency intended to receive CAS responsibilities from the Office of Federal Procurement Policy, an agency within the Office of Management and Budget, to the Director of the Office of Management and Budget; and delete the Director's authority to delegate waiver authority to other executive agencies.

Transfer of Cost Accounting Standards to the Director of Management and Budget

The Office of Federal Procurement Policy was created in 1974—four years after the establishment of the Cost Accounting Standards Board—to centralize procurement policy decisionmaking. Recently, it has submitted recommendations to the Congress for a uniform procurement system, and is in the process of creating a single, government-wide uniform procurement regulation. This regulation, known as the Federal Acquisition Regulation, will incorporate among others, the Defense Acquisition Regulation, the Federal Procurement Regulations, and the National Aeronautic and Space Administration procurement regulations. A recent General Accounting Office report, reviewing agency compliance with the cost accounting standards, rules and regulations, found that the Department of Defense, the Department of Energy and NASA have "incorporated the cost accounting standards, rules, and regulations into their procurement regulations and their procurement and contract administration procedures."[3] These regulations, which now contain cost accounting standards, are targeted for inclusion in the Federal Acquisition Regulation.

To facilitate the incorporation of cost accounting standards into the Federal Acquisition Regulation, the Cost Accounting Standards Board authorities were initially placed directly with the Office of Federal Procurement Policy. However, the Administration, in a letter on May 7, 1982 from Director Stockman to Chairman Garn, supported this legislation, but expressed a preference for placement of cost accounting standards authorities with the Office of Management and Budget, where they could then be delegated to the Office of Federal Procurement Policy. Mr. Stockman stated:

> I do wish to make a suggestion, however, I recommend that the bill be amended to substitute "Director" (of the Office of Management and Budget) for "Administrator" (of the Office of Federal Procurement Policy) wherever the latter term appears. It is more appropriate, I believe, to confer the authority contemplated by the draft bill upon the head of this agency, rather than on the Administrator of the Office of Federal Procurement Policy. Of course, in delegating this authority within the Office of Management and Budget, the Office of Federal Procurement Policy would be the logical choice.

Senator Proxmire offered an amendmnt which deleted the Office of Federal Procurement Policy from title II, and substituted the Director of the Office of Management and Budget to receive cost

[3] U.S. Government Accounting Office, "Report to the Secretaries of Defense and Energy and to the Administrator of NASA," (Washington: U.S. General Accounting Office), Mar. 24, 1982, p. 10.

accounting standards authorities transferred from the Cost Accounting Standards Board. The amendment was unanimously adopted by the Committee.

Delegation of waiver authority

The Committee adopted a second amendment offered by Senator Proxmire to preclude the Director of the Office of Management and Budget from delegating waiver authority for the cost accounting standards to another executive agency. Senator Proxmire expressed the concern that a more independent and objective organization than the contracting agencies should evaluate and decide waivers from cost accounting standards.

Section-by-Section Analysis

Section 101 provides for an extension of the Defense Production Act for a period of one year from September 30, 1982 to September 30, 1983.

Section 201 states that Title II shall be known as the "Defense Production Act Amendments of 1982."

Section 202(a) finds that (1) the Cost Accounting Standards Board has completed its responsibility to establish cost accounting standards; (2) that there are continuing functions which must be performed to maintain the standards; and (3) that it is necessary to transfer the Cost Accounting Standards Board authorities to maintain the standards.

Section 202(b) provides that it is the purpose of this legislation to transfer the authorities and functions of the Cost Accounting Standards Board to the Director of the Office of Management and Budget.

Section 203 amends Section 719 of the Defense Production Act as follows:

Section 719(a) requires that the cost accounting standards shall be used by Federal agencies and by defense contractors and subcontractors in estimating, accumulating, and reporting costs in connection with the pricing, administration and settlement of all negotiated prime contract and subcontract national defense contracts in excess of $500,000. Where the contract award is based on established catalog or market prices of commercial products, prices set by law or regulation, or adequate price competition, there is an exemption from application of this provision.

Current law does not provide an exception for contract awards based on adequate price competition. The Truth-in-Negotiations Act (Public Law 87–653) required prime contractors and subcontractors to submit cost and pricing data to the government in connection with the award of negotiated contracts or the pricing of contract modifications above a certain dollar threshold. That statute permits contractors and subcontractors to be exempt from this requirement where the price negotiated is based on adequate price competition. Accordingly, this exception would provide a uniform practice with regard to the pricing of government contracts.

Section 719(b) provides that all standards, rules, and regulations which were issued by the Board and in effect before passage of this legislation shall remain in effect, subject to other provisions of this section. These standards, rules and regulations shall have the force

and effect of duly promulgated regulations, clarifying that the standards are to be made part of the appropriate government procurement regulations and are to be accorded the same legal status as those regulations.

Section 719(c) provides that all exemptions, waivers and other actions by the Cost Accounting Standards Board and in effect before passage of this legislation shall remain in effect, unless amended or rescinded by the Director of the Office of Management and Budget.

Section 719(d) authorized the Director of the Office of Management and Budget to take any actions necessary to ensure that (1) CAS Board standards, rules, regulations and interpretations are consistent with sound accounting principles and (2) such standards, rules, regulations and interpretations conform to procurement policies, regulations, procedures or forms promulgated pursuant to the Office of Federal Procurement Policy Act or other government procurement authorities. The Director is also authorized in this subsection to amend or rescind the standards, rules, regulations or interpretations issued by the Cost Accounting Standards Board.

Section 719(e) requires the Director to publish in the Federal Register notice of a proposed amendment or rescission to any cost accounting standard, rule or regulation. Parties are given 90 days to comment on any such action, and the Director must give full consideration to such views before making a final amendment or rescission.

Section 719(f) sets forth the minimum content of each such publication.

Section 719(g) authorizes the Director to exempt classes or categories of defense contractors or subcontractors from the requirements of the Act, based upon the size of the contracts involved, the nature of the contractor's business, or on other considerations which are consistent with the purposes to be achieved by the Act.

Section 719(h) authorized the Director to waive the requirements of the Act.

Section 719(i) provides authorization for the agency concerned, or the Comptroller General of the United States, to examine the records of defense contractors and subcontractors to determine compliance with cost accounting standards and principles.

Section 719(j) provides that reference to the CAS Board in any other law shall be deemed to mean the Director of the Office of Management and Budget.

Section 719(k) transfers the assets, liabilities, contracts, property and records of the CAS Board to the Director of the Office of Management and Budget.

Section 719(l) states that the provisions of the Act, including any standards, rules or regulations made effective by the Act, shall sunset on September 30, 1984, after incorporation into a government-wide procurement regulation, to assure that cost accounting standards are fully integrated into the existing system for promulgation amendment, and rescission of procurement regulations.

Regulatory Impact Statement

In accordance with paragraph 11(b) of Rule XXI of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact and the paperwork impact which would be incurred by carrying out this bill.

Title I of this bill does not create any new regulatory requirements within the meaning of rule XXIX(5)a of the Rules of the Senate. It merely extends the authority for existing regulations issued for the administration of title I priorities and allocation systems and for reporting requirements under section 705.

Existing regulatory impact, extended by this legislation, is significant. Any defense contractor or potential defense contractor may be required to perform government contracts in preference to commercial work under title I. Producers of "controlled materials," regardless of whether they hold defense contracts, are also required to set-aside a portion of their production under the Defense Materials System authorized by title I.

Additionally, disclosure of information on production capabilities relevant to the national defense can be required by the President under authorities granted in section 705.

Title II of this bill provides that the authorities previously held by the now defunct Cost Accounting Standards Board be transferred to the Director of the Office of Management and Budget, for the express purpose of maintaining the standards, and ultimately incorporating them into a larger body of government-wide procurement regulations. Hence, by its very nature this legislation is creating additional regulatory responsibilities to be assumed and carried out by the Director, or any agency receiving these responsibilities through delegation by the Director. However, as noted by Director Stockman in supporting this legislation, these responsibilities will probably be delegated to the Office of Federal Procurement Policy where they can be much more easily incorporated into the Federal Acquisition Regulation (the single government-wide procurement regulation).

The mission of the Office of Federal Procurement Policy is to reduce the regulatory impact and record keeping impact burdens on the federal procurement community. Therefore, incorporation of the cost accounting standards, rules and regulations into the Federal Acquisition Regulation will prevent a procurement chaos in which government agencies and contractors face differing formulae, disclosure requirements, and substantive procurement procedures required by different agencies' regulations. Consequently, the result of this legislation, and clearly the Congressional intent, is to reduce regulatory and paperwork impacts.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., May 12, 1982.

Hon. HARRISON SCHMITT,
U.S. Senate,
Washington, D.C.

DEAR JACK: I understand that the Committee on Banking, Housing, and Urban Affairs will mark up S. 2375 which extends the Defense Production Act (DPA) for five years. I would like to take this opportunity to express the Administration's support for this bill.

As you are aware, various approaches have been proposed to expand the DPA by providing subsidies or manpower training for selected industries. The Administration is strongly opposed to such

proposals and prefers to rely on the marketplace, together with Administration economic, tax, and regulatory reforms to improve the competitiveness of U.S. industry and reduce reliance on foreign suppliers. Several recent initiatives including the defense buildup, tax reductions, improved depreciation schedules to foster investment, and reduction of regulatory burdens will significantly improve our materials posture. These broad measures to strengthen the economy are in place and will be increasingly effective in the recovery.

It is the Administration's policy to rely upon the strategic stockpile for protection against supply disruptions during a declared national emergency. The defense stockpile contains over $12.5 billion in strategic minerals and materials, providing substantial protection against supply disruptions in the event of declared national emergencies. DPA Title III subsidies will not be considered unless analysis should indicate they are more cost-effective than open market purchases.

In sum, an extension of existing DPA authorities, coupled with Administration tax, defense, regulatory, and stockpile policies will provide the capabilities necessary to meet defense needs and protect against potential interruptions of materials needed during mobilization. We therefore support S. 2375 and would strongly oppose any amendments which expand the existing DPA authorities.

Thank you for the opportunity to express the Administration's views.

Sincerely yours,

DAVID A. STOCKMAN, *Director.*

ADMINISTRATION POSITION—DEFENSE PRODUCTION ACT LEGISLATION

Current authorities

The Defense Production Act (DPA) provides the authorities necessary to meet defense material requirements during peacetime and mobilization. The Administration believes that the existing Defense Production Act has met the Nation's needs in this important area and should be extended without changes for a period of three years through September 30, 1985.

H.R. 5540

The Administration strongly opposes H.R. 5540 as reported by the House Committee on Banking, Finance and Urban Affairs, which would provide $6.8 billion in subsidies, price supports, and loan guarantees under DPA Title III. Other proposals would provide backdoor borrowing authority for Title III subsidies. This money would be used to subsidize new investments in selected industries, to train workers with critical skills, and to purchase equipment for colleges and universities. The Administration oppose these provisions because:

Federal subsidies to industry are fundamentally inconsistent with the economic reforms and market reliance policies of the Administration. Direct subsidies are an inefficient use of taxpayers' resources in a economy where markets and competition are the measures of growth and success. The subsidies would result in significant additional spending during fiscal year 1983 to 1987, increasing Federal deficits.

Administration economic reforms and increased defense spending will cause firms in this sector to improve their competitive positions. For example, the Accelerated Cost Recovery System substantially reduces the effective tax rate on new mining investment.

Other Administration reforms will increase the competitiveness of domestic firms by: lowering compliance costs through regulatory reform, reducing the after tax cost of R & D expenditures and improving access to Federal lands for minerals exploration and development.

Existing strategic stocks valued in excess of $12.5 billion provide substantial protection in meeting defense and essential civilian needs for mobilization in the event of a declared national emergency. Administration proposals to sell excess stock materials and purchase needed priority materials will increase this protection. Cobalt and bauxite have already been acquired. Market purchase of stockpile materials is a more cost-effective way to meet goals than subsidizing uneconomic domestic production. Analysis of cobalt and guayule subsidy proposals, for example, suggest they are more costly than direct stockpile acquisition.

The Administration's defense buildup will strengthen the defense industrial base. Increased funding levels for weapons, along with procurement reforms providing longer-term awards, will enable firms to increase their capabilities. Coupled with the significant unused production capacity, this should be ample to meet future defense needs without Federal subsidies.

In sum, overall Administration economic, tax, defense, regulatory and strategic stockpile policies enacted or being implemented will provide the necessary industrial capabilities to meet defense needs and provide protection from the potential interruption of imports of materials needed during declared national emergencies. Additional DPA subsidies are not needed and if enacted would be counterproductive, distorting market forces and reducing economic recovery and growth. The Administration, therefore, strongly opposes the subsidy provisions of H.R. 5540.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., May 7, 1982.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR JAKE: This is in further reply to your letter March 4, 1982, concerning legislation that you have drafted that would transfer the functions of the Cost Accounting Standards Board to the Administrator of the Office of Federal Procurement Policy (OFPP).

In my letter to you of April 2, 1982, I indicated that your proposal was being reviewed within the Executive Branch. That interagency review is now complete, and you are advised that the Administration will support enactment of your draft legislation if it is introduced.

I do wish to make a suggestion, however. I recommend that the bill be amended to substitute "Director" (of the Office of Management and Budget) for "Administrator" (of OFPP) wherever the latter term

appears. It is more appropriate, I believe, to confer the authority contemplated by the draft bill upon the head of this agency, rather than on the Administrator of OFPP. Of course, in delegating this authority within OMB, OFPP would be the logical choice.

I have enclosed a few additional technical and other minor corrections for your consideration.

Thank you for your continued support and cooperation.

Sincerely,

DAVID A. STOCKMAN, *Director.*

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 14, 1982.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 2375, a bill extending by one year the expiration date of the Defense Production Act of 1950.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: S. 2375.
2. Bill title: Defense Production Act Amendments of 1982.
3. Bill status: As ordered reported by the Senate Committee on Banking, Housing and Urban Affairs on May 12, 1982.
4. Bill purpose: This bill amends Title VII of the Defense Production Act of 1950 by changing the expiration date from September 30, 1982 to September 30, 1983 and be establishing a Cost Accounting Standards group within the Office of Federal Procurement Policy. The Act authorizes the following programs: Industrial defense mobilization activities of the Department of Commerce; Certain emergency preparedness activities funded in the Federal Emergency Management Agency; The payment of interest on (1) disbursements incident to the expansion of production capacity and supply of strategic materials, and (2) the current market value of inventory of materials procurred under Section 303 of the Defense Production Act. This is funded within the General Services Administration under the Federal Property Resources account; and Reinstatement of the Cost Accounting Standards Board under the Office of Federal Procurement Policy to revise and develop cost accounting standards for all negotiated prime contracts and subcontracts for national defense procurement in excess of $500,000.
5. Cost estimate: The bill's cost impact is about $1 million in estimated authorization and estimated outlays in fiscal year 1983. These costs fall within budget functions 050 and 370.

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987
Extension of termination date to Sept. 30, 1983:					
Budget function 370:					
Estimated authorizations	1				
Estimated outlays	1				
Budget function 050:					
Estimated authorizations	(1)				
Estimated outlays	(1)				

[1] Amount less than $500,000.

6. Basis for estimate: This estimate assumes that the full amount of authorizations provided in this bill be appropriated prior to fiscal year 1983.

The estimate for the cost of extending the existing provisions of the Defense Production Act is based on the Administration's plans for 1983. These would require slightly more than $1 million for the Department of Commerce mobilization activities and approximately $0.2 million for the activities carried out by the Federal Emergency Management Agency. No programs are planned for the Defense Department or the General Services Administration. The authorizations for these agencies are broad, and in the event of a major change in policy or plan, the budget impact of this bill could be much larger.

In addition, the Act calls for the restoration of the Cost Accounting Standards Board to maintain, develop and administer cost accounting standards for national defense contracts to be administered by the Administrator for Federal Procurement Policy under the Director of the Office of Management and Budget. This Act makes no provision for additional staff to man the Cost Accounting Standards Board, only that the authorities and functions of the now defunct board be transferred to the Office of Federal Procurement Policy. Because the hiring of additional personnel is not required, the CBO estimates that the cost of provisions for the Cost Accounting Standards Board under the Defense Production Act Amendments of 1982 will not be significant.

7. Estimate comparison: None.

8. Previous CBO estimate: Both H.R. 5540 and S. 2375 amend the Defense Department Act of 1950. However, the amendments proposed under these bills result in significantly different provisions and associated costs.

Estimates were done May 14, 1982 of H.R. 5540 for the Housing Banking, Finance and Urban Affairs and the Education and Labor Committees.

9. Estimate prepared by: Barbara M. Hollinshead and Michael A. Miller.

10. Estimate approved by:

C. G. Nuckols
(For James L. Blum,
Assistant Director for Budget Analysis).

Changes in Existing Law

In the opinion of the Committee, it is necessary to dispense with the requirements of Section 4 of Rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate.

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